V. Financial Condition, Performance Analysis, and Risk Factors

1. Financial Condition

Comparative Financial Position Analysis Table

Unit: NT$1,000

Item \ Year	2025.12.31	2024.12.31	Amount Increase (Decrease)	Change %	Note
Current Assets	59,471,403	57,266,092	2,205,311	4	
Property, Plant and Equipment	20,914,161	20,493,419	420,742	2	
Intangible Assets	6,234,677	4,831,491	1,403,186	29	Note1
Other Assets	57,955,637	41,842,433	16,113,204	39	Note2
Total Assets	144,575,878	124,433,435	20,142,443	16	
Current Liabilities	29,544,930	28,496,405	1,048,525	4	
Non-current Liabilities	16,667,315	14,169,226	2,498,089	18	
Total Liabilities	46,212,245	42,665,631	3,546,614	8	
Equity Attributable to Owners of the Parent	91,628,035	75,482,209	16,145,826	21	
Capital Stock	23,764,407	21,387,966	2,376,441	11	
Capital Surplus	24,170,487	9,616,391	14,554,096	151	Note3
Retained Earnings	35,966,938	35,593,556	373,382	1	
Other Equity	7,726,203	8,884,296	-1,158,093	-13	
Non-controlling Interests	6,735,598	6,285,595	450,003	7	
Total Equity	98,363,633	81,767,804	16,595,829	20	

Note 1: The increase in Intangible Assets is primarily due to:

- Goodwill of NT$807,599 thousand arising from the acquisition of EVK.
- Goodwill of NT$157,586 thousand arising from the acquisition of NCL.
- An increase of NT$432,448 thousand in the goodwill of Motovario due to the appreciation of the Euro exchange rate.

Note 2: The increase in Other Assets is primarily due to the share swap between the Company and Foxconn. By acquiring shares in Foxconn through this swap, the financial assets measured at fair value through other comprehensive income (FVTOCI) increased

Note 3: The increase in Capital Surplus is primarily attributed to the surplus generated from the share swap with Foxconn.

2. Financial Performance

2.1 Comparative Financial Preformance Analysis

Unit: NT$1,000

Item	2025	2024	Amount Increase (Decrease)	Change%	Note
Net Operating Revenue	59,093,897	55,234,746	3,859,151	7	
Operating Costs	(45,014,763)	(41,094,708)	(3,920,055)	10	
Gross Profit	14,079,134	14,140,038	(60,904)	(0)	
Net (Un)realized Intercompany Profit from Affiliates	1,098	(534)	1,632	(306)	
Net Gross Profit	14,080,232	14,139,504	(59,272)	(0)	
Operating Expenses	(8,792,686)	(7,907,899)	(884,787)	11	
Operating Profit	5,287,546	6,231,605	(944,059)	(15)	
Non-operating Income and Expenses	1,805,210	1,848,224	(43,014)	(2)	
Income Before Tax from Continuing Operations	7,092,756	8,079,829	(987,073)	(12)	
Income Tax Expense	(1,467,580)	(1,828,548)	360,968	(20)	Note1
Net Income for the Period	5,625,176	6,251,281	(626,105)	(10)	
Other Comprehensive (Loss) Income	(1,094,595)	(5,745,051)	4,650,456	(81)	Note2
Total Comprehensive (Loss) Income for the Period	4,530,581	506,230	4,024,351	795	

Analysis of Changes:

1. Income Tax Expense: The decrease was primarily due to a decline in overall profit. Additionally, a decrease in profits from TAC (Australia)—which is subject to a high tax rate of 30%—resulted in a lower effective tax rate on recurring taxable income for 2025 compared to 2024, further contributing to the reduction in income tax expense.
2. The decrease in other comprehensive loss was primarily due to a reduction in unrealized losses recognized from the valuation of financial assets measured at fair value through other comprehensive income (FVTOCI) in 2025 compared to 2024.

2.2 Gross Profit Variance Analysis:

The change in gross profit did not exceed 20%; therefore, analysis is not required.

3. Cash Flows

3.1 Cash Flow Analysis for the Current Year (2025)

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Flow from Operating Activities (2)	Cash Outflow (Inflow) (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Remedy for Cash Deficit	
				Investment Plans	Financing Plans
26,055,287	2,831,678	2,662,566	26,224,399	-	-

A. Analysis of change in cash flow:
   a. Operating activities: The increase in cash flow from operating activities was primarily driven by stable profitability and effective management of accounts receivable and payable cycles.
   b. Investing activities: The primary drivers of cash outflows from investing activities were the acquisition of property, plant, and equipment (PP&E) and investments in corporate bonds.
   c. Financing activities: Cash outflows from financing activities were mainly attributable to the distribution of cash dividends and the redemption of corporate bonds.

B. Remedy and liquidity analysis for insufficient cash: not applicable.

3.2 Improvement plan for insufficient liquidity: Not applicable

3.3 Cash Flow Analysis for the Coming Year (2026)

Unit: NT$1,000

Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow (Inflow) (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Remedy for Cash Deficit	
				Investment Plans	Financing Plans
26,224,339	3,398,014	3,332,046	26,290,367	-	-

A. Analysis of change in cash flow in the current year:
   a. Operating activities: ue to the growth in revenue and profit margins compared to 2025, the net cash inflow from operating activities is expected to increase this year.
   b. Investing activities: While dividend income from non-equity method investments is expected to increase—sufficiently covering capital expenditures for property, plant, and equipment (PP&E)—increased investment in new business development is projected to result in higher net cash outflows from investing activities in 2026 compared to 2025.
   c. Financing activities: The issuance of NT$10 billion in new corporate bonds in 2026 will increase cash inflows. However, due to the anticipated increase in cash dividend distributions compared to 2025 and the funding requirements for new business development, a slight increase in borrowings is expected for the current year.

B. Remedy for Cash Deficit and Liquidity Analysis: Not Applicable

4. Financial and Business Impact from Major Capital Expenditure Items

4.1 Major Capital Expenditure Items and Source of Capital

Unit: NT$thousand

Project	Actual or Planned Source of Capital	Actual or Planned Date of Completion	Total Capital	Actual or Expected Capital Expenditure	
				2025	2026~2027
2025 Capital Expenditure – new equipment, equipment renewal and capacity expansion	Working Capital	2025/12/31	1,354,000	1,354,000	0
2026 Capital Expenditure – new equipment, equipment renewal and capacity expansion	Working Capital	2026/12/31	2,090,000	0	2,090,000

4.2 Expected Benefits

The aforementioned capital expenditures will not only increase the production capacity of high- and low-voltage motors, home appliances, and automation and intelligent system products, but will also contribute to lowering production costs and improving product quality.

The Songjiang Building reconstruction project will incorporate energy-saving, carbon reduction, and smart technologies, including the integration of an intelligent information and communication management system, bringing a refreshed and modern outlook to the Nanjing–Songjiang commercial district.

Furthermore, the launch of the automated busway production line in Penang, Malaysia, has commenced mass production. This facility is strategically positioned to provide localized supply for the AIDC (AI Data Center) and general data center construction markets, which is expected to drive significant revenue growth.

5. Recent-Year Investment Policy, Major Causes of Gains or Losses, Improvement Plans, and Investment Plans for the Coming Year

5.1 Investment Policy:

In response to evolving domestic and international economic trends and increasingly competitive market conditions, the Company focuses its investments on vertical and horizontal integration within its core businesses of electromechanical systems, energy engineering, and air conditioning.

Adhering to the themes of energy saving, emission reduction, intelligence, and automation, TECO continues to strengthen its digital transformation and focuses on the four main sectors of Electrification, Intelligence, Green Energy and Key Regions. All investment projects are carefully evaluated in alignment with the Company’s long-term strategic development plan.

5.2 Primary Causes of Gains or Losses:

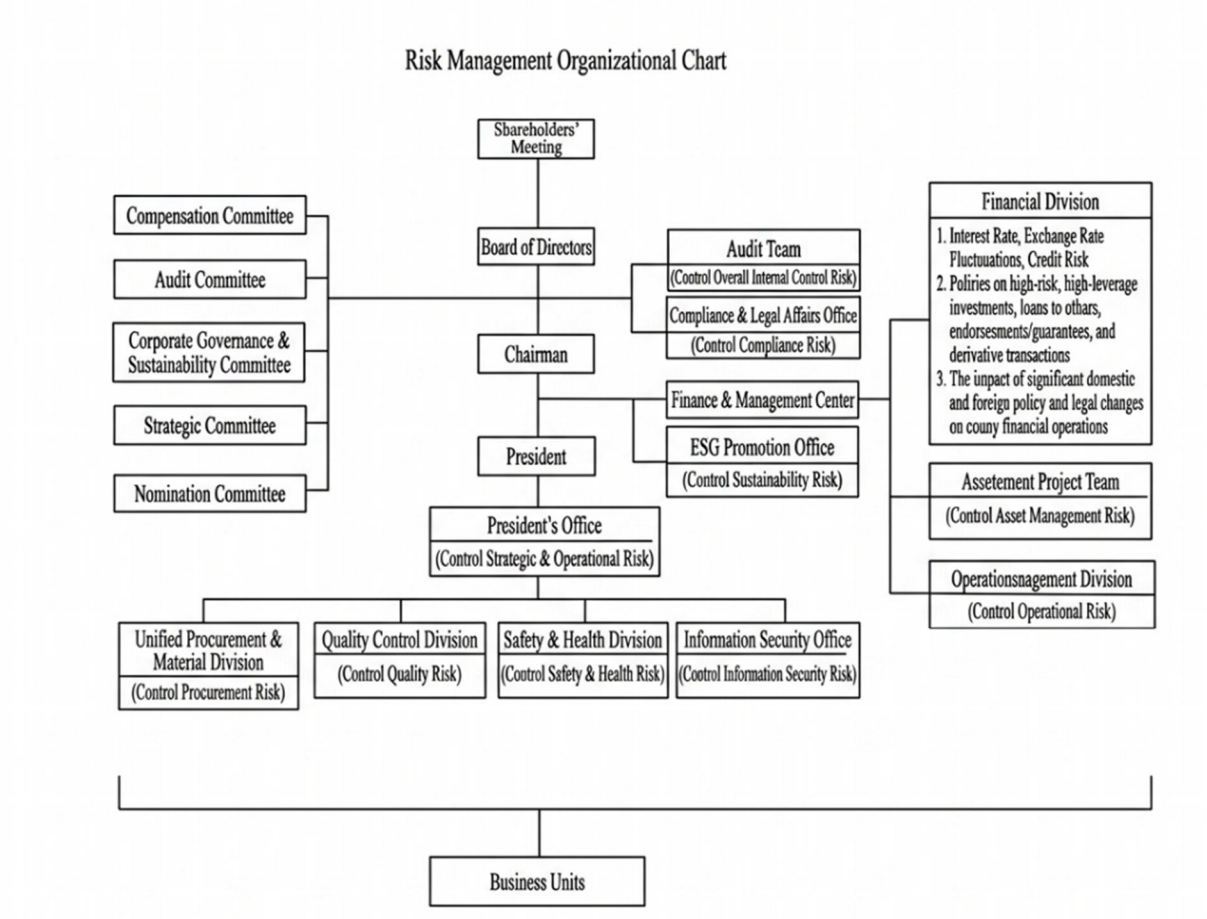
In 2025, the Group recognized investment loss of NT$18,852 thousand under the equity method, an decrease of NT$150,936 thousand compared to the NT$132,084 thousand recorded in 2024. The decrease was primarily attributable to the decline in profitability of Lien Chang Electronic Enterprise Co., Ltd. and TPI Bearings.

5.3 Investment Plans for the Coming Year:

Looking ahead, the investment plan for the coming year will focus on energy efficiency, intelligence, automation, and digitalization, in addition to routine equipment upgrades. The Company will continue to develop permanent magnet hairpin motors, rare-earth-free motors, high-power-density frameless motors, joint modules, and Solid-State Transformers (SST). Furthermore, we will actively seek potential growth and M&A (Mergers and Acquisitions) opportunities within the fields of electrification and renewable energy.

6. Risk Management Analysis

Risk Governance Framework



6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

A. Effects of Changes in Interest Rates on Corporate Finance, and Future Response Measures

2025 Unit: NT$1,000

Net Interest Income or Expense (1)	221,708
Sales Revenus(2)	59,093,897
Operating Profit(3)	5,287,546
(1)/(2)	0.38%
(1)/(3)	4.19%

The Company's net interest income for the year 2025 was NT $ 221,708 thousand, accounting for 0.38% of annual sales revenue and 4.19% of operating profit.

In 2025, global interest rates adjusted as inflation and geopolitical tensions gradually cooled. The U.S. Federal Reserve (Fed) implemented three rate cuts totaling 75 basis points (bps), signaling a shift toward a more accommodative monetary policy. However, the expansion of the U.S. economy proved stronger than anticipated, and core inflation remained resilient. Furthermore, concerns regarding potential inflationary pressures from President Trump's reciprocal tariffs persisted. These factors resulted in the Fed's rate cuts being more moderate than market expectations, leading to a prolonged high-interest-rate environment.

In Taiwan, the Central Bank (CBC) observed a significant surge in exports and private investment driven by the AI effect. Despite moderate domestic inflation, the CBC maintained its policy rates and kept market rates at relatively high levels, remaining unswayed by the monetary policies of other nations.

Under these circumstances, the Company closely monitored domestic and international interest rate fluctuations. We optimized capital allocation and mitigated interest rate risk by dynamically adjusting the proportions and tenors of our NTD and foreign currency deposits and borrowings.

B. Effects of Changes in Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

2025 Unit: NT$1,000

Currency Exchange Gain or Loss(1)	143,457
Sales Revenus(2)	55,234,746
Operating Profit(3)	6,231,605
(1)/(2)	0.24%
(1)/(3)	2.71%

In 2025, the Company recorded a net foreign exchange gain of NT$143,457 thousand. This was primarily due to the strengthening of the Euro (EUR), Australian Dollar (AUD), and Malaysian Ringgit (MYR) against the New Taiwan Dollar (NTD), along with the narrowing decline of the U.S. Dollar (USD) against the NTD in the second half of the year.

Reviewing the first half of 2025, the USD weakened under the influence of U.S. reciprocal tariffs, while strong Taiwanese exports and positive economic fundamentals led to a sharp appreciation of the NTD. Although the U.S. Federal Reserve initiated rate cuts in the second half of the year—narrowing the interest rate differential between the USD and other currencies—the USD remained relatively strong. This strength was supported by global economic performance exceeding expectations and the massive influx of international capital into the U.S. driven by the Artificial Intelligence (AI) boom.

Looking ahead to 2026, the IMF has gradually upwardly revised global economic growth forecasts, leading central banks to remain cautious in maintaining accommodative monetary policies. Furthermore, uncertainties such as geopolitical tensions and trade wars persist, which may exacerbate exchange rate volatility. In addition to continuous monitoring, the Company will implement the following measures:

A. Natural Hedging: Utilize the offsetting effects of foreign currency assets and liabilities, supplemented by forward foreign exchange contracts based on the Company's overall position to achieve substantive hedging.

B. Information Integration: Maintain close communication with the forex departments of partner financial institutions to gather real-time market data and stay abreast of international trends, providing a solid basis for FX settlement and forward trading decisions.

C. Regular Assessment: The finance department will periodically issue internal evaluation reports on financial conditions and the net foreign currency asset positions requiring hedging. These reports serve as the basis for management’s decisions on appropriate hedging strategies.

C. Impact of Inflation on Corporate Profit/Loss and Future Countermeasures:

Although domestic inflation slowed in 2025, with the Consumer Price Index (CPI) growth rate hitting a five-year low, international oil price volatility driven by global geopolitical tensions continues to introduce uncertainty into domestic price levels. In response to challenges in the raw material market, the Company has established rigorous early warning and procurement mechanisms for core materials such as copper, aluminum, and silicon steel sheets.

While the current procurement costs for aluminum and copper remain relatively high, the Company has successfully mitigated the impact of market volatility on profitability through strategic fixed-price contracts. Our team will continue to adhere to principles of prudence, flexibly responding to base metal price trends to formulate optimal procurement plans and consolidate the Company’s long-term competitive advantage.

6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

A. The company abstains from high-risk and high leveraged investments.

B. At the end of 2025, outstanding loans extended by the company amounted to NT$0 thousands.

C. In 2025, the Company's balance of endorsements and guarantees amounted to NT$885,600 thousand. These endorsements and guarantees were provided to affiliated companies and entities with which the Company maintains business relationships. The Company regularly obtains the financial statements and operational overviews of the guaranteed entities to analyze their profitability. This allows for a proactive assessment of the associated risks of the endorsements and guarantees, ensuring that risk mitigation plans are formulated in advance.

D. In 2025, the derivative products held by the company are mainly forward foreign exchange transactions. Since the counterparties of the transactions are all creditworthy international financial institutions, and the company also trades with many financial institutions to diversify risks, the contract counterparty default risk is very low, so the credit risk of the derivative commodity transactions that the company engages in is very low. In addition, the derivative products held by the company are mainly of a hedging nature, and the resulting profit and loss will offset the profit and loss of the hedging project, so the market risk is also very low. The company calculates the fair value of individual contracts based on the mid-price of the exchange rate reported by the Taiwan Bank’s exchange rate

E. The company has formulated numbers of investment guidelines for cutting risk, including “Procedure for the Acquisition and Disposal of Assets,” “Procedure for Lending Capital to the Others”, “Procedure for the Endorsement and Guarantee,” and “Procedure for the Trading and Disposal of Derivatives.”

6.3 Future Research & Development Projects and Corresponding Budget

TECO Group's estimated R&D expenditure in 2026 is NT$1,614,248 thousand.

In recent years, TECO has continued to integrate the technical energy and market practical experience of its domestic and overseas R&D sites, and through deepening industry-academia-research cooperation mechanisms, it has strengthened the competitive advantages of its core businesses while actively positioning itself in the green energy industry and innovative design fields. In numerous key technologies and application areas, including permanent magnet synchronous motors, electric vehicle powertrain system integration, solid-state transformers, power conditioning systems, medium-voltage inverters, precision servo motors, robot joint modules, IE5 synchronous reluctance motors and drives, and high-end control algorithms, it has initiated multiple important research and development projects. Furthermore, in aspects such as residential and commercial air conditioning system solutions, Internet of Things applications, and energy management platforms, it also continues to invest resources to expand its overall technical landscape.

To address the needs of mid- to long-term development of new technologies and products, as well as short-term operational demands for product cost-performance improvement, TECO's R&D teams actively seek external resources through technical consulting, collaboration, and technology acquisition to enhance its technological capabilities.

Starting from its core technologies in rotating machinery and generator design, motor drive and design, power electronic control and design, and gateway technologies, TECO integrates new market demands, industrial standards,

applications of new materials, sensor application technologies, wireless communication technologies, and green energy technologies (such as hydrogen energy and CCUS — Carbon Capture, Utilization, and Storage) to coordinate its overall R&D strategy and technology planning.

To effectively plan for future R&D projects, the company primarily relies on the following principles:

A. Analysis and understanding of industry development, national policies, and market trends;

B. Establishment and solidification of key technologies;

C. Comparative competitiveness with European, American, and Japanese peers;

D. Global market positioning and technology integration;

E. Accurate control of R&D progress and quality.

Accordingly, in 2026 TECO plans to continue or initiate the following R&D directions, aiming to comply with new European standards in existing product markets, develop high value-added applications through existing marketing channels, and explore opportunities for commercialization and market creation of emerging technologies.

A. Electrification and Automation Products and Technologies:

a. Electrification Products

- MW-class High-Voltage and High-Power-Density Fabricated Steel Frame Motor Development
- Large-scale Two-pole Rigid Shaft Inverter-fed Motor
- Development of Next-generation Medium-and-High-Voltage Insulation Systems
- Product Development of IE5 Ultra-high Efficiency Synchronous Reluctance Motors and Drives
- IE5+ Ultra-high Efficiency Hairpin Permanent Magnet Motor
- NEMA Premium 4 High Efficiency Motor
- Chiller System Motor Development for AIDC (AI Data Centers)
- High-Power-Density Axial Flux Motor Development
- Sealless Axial Motor Water Pump System
- High-Voltage Permanent Magnet Low-Speed Direct-Drive (40rpm) Vector Control Drive Development
- High-Voltage Permanent Magnet High-Speed Field-Weakening Vector Control Drive Development
- Development of High-Efficiency Kilowatt-scale Anion Exchange Membrane (AEM) Water Electrolysis Hydrogen Production System

b. Electric Vehicle Products

- Development of 350kW High-Power Direct-Drive Motor and SiC Inverter Powertrain System for Electric Buses

- Development of 235kW and 200kW High-Power Direct-Drive Motors for Electric Buses
- Development of Six-Phase Motor and Inverter Powertrain System for Electric Vehicles
- 250kW Direct-Coupled Powertrain Solution for Electric Buses
- Development of Powertrain Systems for Commercial Drones

c. Automation Products

- Development of next-generation JSDG3 high-performance servo drivers
- Development of next-generation JSDL3 compact AC servo products
- Development of E710 next-generation compact inverters
- Development of a Full Range of Robot Joint Modules
- Development of the Next-Generation High-Performance A610 Series Inverters
- Industrial Axial Flux Motors and Integrated Motor-Inverter (M+I) Solutions
- Enhancement of Small-Scale Drone Powertrain Product Lines
- Intelligent Programmable Logic Controllers (PLC)

B. Air Conditioning Technologies:

a. Residential Products

- Development of ultra-high energy efficiency models exceeding CSPF national standard by 70%
- Development of full antibacterial and anti-mold self-cleaning functions for indoor and outdoor AC units
- Development of ergonomic 3D airflow comfort functions
- Development of "i-Air" fully intelligent healthy air solution
- Development of hybrid AC/DC powered air conditioners

b. Commercial Products

- Development of high-efficiency IPLV multi-stage magnetic centrifugal chillers
- Development of high-efficiency IPLV DC inverter permanent magnet screw chillers
- Development of Oil-Free Magnetic Bearing Centrifugal Chiller with Low GWP Refrigerant (GWP ≈ 1)
- Development of R407H eco-refrigerant inverter condensing units for cold storage and refrigeration
- Development of brine refrigeration systems for food cold chains
- Development of fixed/frequency air-cooled commercial air conditioners for power plants

- Development of water-cooled precision commercial air conditioners for archive preservation
- Development of two-phase flow cooling systems for industrial motor power semiconductors

c. Smart Networked Systems
- Development of HVAC group control energy-saving solutions
- Integrated energy-saving control for four major subsystems: chilled water pumps, cooling water pumps, cooling towers, and air handlers
- Development of cloud-based HVAC monitoring and diagnostic expert systems
- Energy-saving retrofit service for smart chiller control systems
- Development of smart connected precision cooling units for data centers with high sensible heat loads
- Development of next-generation TaiSEIA-linked control and app for residential AC series
- Development of Smart Box Computing Modules for HVAC Energy-Saving and Monitoring
- Development of Agent Modules for HVAC Operational Optimization

C. New Energy Creation and Storage Products and Technologies:

a. Development of MW-class centralized grid-forming energy storage systems

b. Development of AI-Driven Energy Management and Aggregation System Platform

c. Development of aggregated energy management platform systems

The company's general research institute oversees the overall R&D strategy, technology deployment and ongoing product R&D, with an eye on technological deployment and product development in short-, medium-, and long-term, including:

Term of R&D	Focus	Major R&D items
Short-term	Develop new-product application market, Enhance performance of existing products & Enhance product profitability and market share	**Electromechanical & Automation Products** • **Ultra-high efficiency motor development** (Explosion-proof, Fabricated steel frame synchronous reluctance type) • **Low-speed high-torque permanent magnet motor direct-drive system development** • **Drone powertrain system development** • **Powertrain system development for commercial vehicles and electric buses** • **Hairpin motor development for automotive and industrial applications** • **Development of 3.3kV compact low-harmonic inverters** specialized for energy-saving retrofits • **690V-class three-level low-harmonic long-distance drive technology development** • **Development of specialized AC inverters** for high-voltage permanent magnet internal mixers • **IE5+ ultra-high efficiency hairpin permanent magnet motors** • **Development of E710 IP66 high-protection compact inverters** • **Serial development of drone motors and Electronic Speed Controllers (ESC)** • **Industrial axial flux motors and Integrated Motor-Inverter (M+I) solutions** **Electromechanical & Automation Technology** • **Drive technology R&D** (Sensorless control, auto-tuning of servo parameters, regenerative braking energy recovery, etc.) **Air Conditioning Technology Products & Technical Systems** • **HVAC air conditioning development projects** (Deep integration of energy-saving solutions for group control systems and cloud-based expert diagnostic monitoring systems, etc.) • **Development of multi-compressor single-system high-efficiency IPLV magnetic bearing centrifugal chillers** • **Development of specialized commercial fixed/variable frequency AC and condensing units** (R407H eco-friendly refrigerant type, power plants, archival preservation) • **New technology development** (Ultra-high efficiency frequency conversion, full-unit anti-bacterial/anti-mold self-cleaning, and DC-DC converters, etc.) • **Smart Box HVAC energy-saving monitoring and computing module development** • **HVAC operational optimization Agent module development** **Energy Generation & Storage Products & Technology** • **kW-scale medium-frequency transformers** • **MW-scale two-stage Silicon Carbide (SiC) Solid-State Transformer (SST) technology development** • **MW-scale centralized and 100kW-scale distributed Power Conversion System (PCS) product development**

Term of R&D	Focus	Major R&D items
Mid-term	Accumulation of core technological strength & Development of new technological strength	**Electromechanical & Automation Technology** • **Development of next-generation insulation systems** • **MW-class high-voltage high-power-density fabricated steel frame motor technology development** • **High-speed permanent magnet motor and drive development** • **High-voltage permanent magnet low-speed direct-drive (40rpm) vector control technology** • **High-voltage permanent magnet high-speed field-weakening vector control technology** • **SiC high-power powertrain system solutions** • **Ultra-low-speed direct-drive permanent magnet motor development** • **Medium-and-high-voltage inverter technology R&D** • **Development of ultra-high-speed air-bearing permanent magnet synchronous motor drives** • **High-power-density axial flux motor development** • **Sealless axial motor water pump systems** • **HVAC system-level inverter control technology development** • **Continuous hairpin wave winding technology development** • **Immersion oil cooling technology development** • **69kV utility-grade transformer product development** • **Aluminum hairpin winding technology development** • **Full range of robot joint module development** • **Next-generation high-performance A610 series inverter development** **Air Conditioning Technology** • **Development of DC and AC/DC hybrid-to-inverter air conditioning technology** • **Specialized fixed/variable frequency technology and product development** (Brine chiller units for food cold chain, smart networked data centers, and energy-saving retrofits for smart chiller systems) • **New generation TaiSEIA integrated control and APP development for digital homes** • **AI-enabled intelligent energy management systems** • **Development of magnetic bearing centrifugal chillers with new low-GWP refrigerant (GWP ≈ 1)** • **Energy management systems with AI intelligent managed services** **Energy Generation, Storage & Technology** • **Medium-frequency transformer paralleling technology** • **MW-scale three-stage Silicon Carbide (SiC) Solid-State Transformer (SST) technology development** • **100kW-scale distributed Energy Storage System (ESS) development** • **Energy Management System (EMS) development**
Long-term	Deployment in new business scope	**Electromechanical & Automation Technology** • **Development of traction motors for rolling stock** • **Integrated R&D of Industrial Internet of Things (IIoT) systems** • **161kV utility-grade transformer product development**

Term of R&D	Focus	Major R&D items
		Air Conditioning Technology • **Development of next-generation green energy inverter air conditioning technology** • **Development of two-phase flow cooling units specialized for industrial thermal management** **Energy Generation, Storage & Technology** • **AI-driven energy management aggregation platform solutions** • **Development of MW-class bidirectional power Silicon Carbide (SiC) Solid-State Transformer (SST) technology** • **Grid technology development** (Micro-smart grid systems, weak grids, etc.) • **Development of air compressor systems for onboard fuel cells** • **Anion Exchange Membrane (AEM) water electrolysis technology**

6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

The Company closely monitors all domestic and international policies and regulations that may potentially affect its financial performance and operations. As of the most recent fiscal year and up to the date of this annual report, no changes in policies or regulations have had a material impact on the Company's financial condition or business operations.

6.5 Effects of and Response to Changes in Technology (including cyber security risk) and in Industry Relating to Corporate Finance and Sales

In response to technological changes, TECO Electric & Machinery Co., Ltd. established a high-level Information Security Committee under the Board-level Corporate Governance and Sustainability Committee in January 2021. The President serves as the Chairperson of the Committee and is responsible for overseeing the effectiveness of TECO’s information security governance. The President also concurrently holds the position of Chief Information Security Officer (CISO), tasked with overall planning of the Company’s information security policies and governance efforts. A biannual Information Security Management Review Meeting is convened, attended by business group presidents, heads of Board Audit, Legal, Human Resources, and Digital Development. The committee reviews the status of information security governance and continuously promotes enhancements to cybersecurity practices. TECO’s Information Security Management System (ISMS) was certified to the ISO/IEC 27001 international standard by a third-party in October 2021, marking the establishment of comprehensive information security policies and management procedures. In November 2024, TECO passed the ISO/IEC 27001:2022 revision certification. In 2025, the Company continued to maintain the validity of its ISO 27001 certification. To further strengthen its cybersecurity defense system, the Company has enhanced measures including Endpoint Detection and Response (EDR), network abnormal traffic monitoring, Intrusion Detection and Prevention Systems (IDPS), comprehensive system backups, and Security Operations Center (SOC) platforms. By increasing the defense-in-depth across both administrative and technical levels, the Company effectively mitigates cybersecurity risks.

Regarding industry trends, AI and low-carbon transformation have become the core drivers of development. In consideration of global growth trends and in alignment with government industrial policies, the Company has evaluated its existing technical capabilities against industry growth potential. Beyond strengthening our technical advantages in electrification solutions, data center solutions, green energy engineering solutions, and EV powertrain solutions, we continue to closely monitor international technology and market trends. By adopting innovative methodologies, we have formulated strategies and timelines to achieve our planned objectives. To meet the demands of AI and low-carbon transformation, the Company has planned initiatives including low-carbon sustainability solutions, power plant operation and management solutions, high-efficiency hairpin motors, and AIDC containerized integrated chillers.

6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

The Company pursues comprehensive excellence through a strategy of diversified operations and global deployment, while also demonstrating deep social commitment through the TECO Foundation. This is complemented by strict adherence to quality and service standards, showcasing TECO's image as a high-caliber international enterprise.

The Company's crisis management plans cover all global production sites. In recent years, the Company has effectively handled various unforeseen incidents, thanks to the continual cultivation of its crisis response capabilities. A global risk event reporting mechanism has been established to identify and respond in a timely manner to major risk events that may arise during daily operations, thereby minimizing potential losses and operational impact. Looking ahead, the Company will continue to simulate major emergency scenarios and develop corresponding contingency plans to ensure the protection of shareholder interests.

6.7 Expected Benefits from Risks Relating to and Response to Merger and Acquisition Plans

On March 14, 2025, the Board of Directors resolved to invest in NCL Energy Sdn. Bhd. ("NCL"). NCL is primarily engaged in providing electromechanical engineering services for data centers and large-scale industrial facilities. This investment is expected to strengthen the Company's positioning in the fields of data center infrastructure and electromechanical integration. By leveraging NCL's engineering management expertise, the Company aims to expand its presence in the Southeast Asian market, enhancing overall operational scale and long-term growth momentum.

On July 30, 2025, the Board of Directors resolved to establish a strategic partnership with Foxconn Technology Group. The two parties will combine TECO's technical capabilities in electromechanical equipment and energy management with Foxconn's resources and global footprint in the ICT industry. Together, the partners will explore opportunities in AI data center infrastructure and energy solutions, aiming to bolster overall market competitiveness and create long-term collaborative synergies.

6.8 Expected Benefits from Risks Relating to and Response to Factory Expansion Plans

In 2025, the total newly installed capacity of solar power plants reached 3,890.87 kW (including behind-the-meter facilities). As grid-connection schedules varied and were primarily concentrated in the second half of the year, the annual power generation amounted to approximately 883,300 kWh. Currently, the electricity generated is mainly sold to Taipower under the Feed-in Tariff (FiT) scheme, providing a stable cash flow. Each site is managed by a professional Operation and Maintenance (O&M) team and covered by relevant insurance to ensure equipment safety and normal operations. Overall, potential risks—including weather fluctuations and equipment damage—remain low, ensuring stable operation and long-term returns for the power plants.

The subsidiary, Sheng Chang Electric Co., Ltd., established a new production line at the Company's Chungli Plant in October 2025. This facility is expected to produce a total of 100 units of distribution-grade and power-grade transformers. The primary strategic benefit is the integration with TECO’s distributor network to expand market channels in Taiwan and establish production capacity for power-grade transformers of 69kV and above. Given the robust market demand for transformers, there are no significant risks associated with this production line expansion.

6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

None

6.10 Effects of Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%

None

6.11 Effects of Risks Relating to and Response to Changes in Control over the Company

None

6.12 For litigation and non-litigation cases, specify the company and directors, supervisors, president, chief executive, and major shareholders with over 10% of shareholding, as well as affiliates. For major litigation, non-litigation, or administrative disputes with major effects on the interests of shareholders or stock prices, disclose the facts, target value, starting dates for litigation, major parties involved, and the status of the cases up to the publication of the yearbook

Unit: NT$ thousand

Number	The cause of the case	the counterparty	the progress of the case	Amount
1	Request for change and additional engineering payment	LiJin Engineering. Hua Nan Commercial Bank, Ltd. (Intervenor)	In the first instance, the court ruled that the opposing party shall pay the Company NT$11,542,920. The Company has appealed the decision with respect to the amount of NT$64,642,974, and the intervenor, Hua Nan Bank, has also filed an appeal concerning the NT$11,542,920. The case is currently under court review. There is no material adverse impact on TECO at this time.	$76,186

Number	The cause of the case	the counterparty	the progress of the case	Amount
2	Request payment for the new construction of Nangang Exhibition Hall	Construction and Planning Agency, Ministry of the Interior	The first-instance judged that the counterparty should pay TECO (Leader Construction, TECO, TMA Architects and Assoiciate) a total of NT$407,657 thousand and interest from 2008.3.7 to the date of settlement. The counterparty filed an appeal on 2020.5.22. The second instance of the court on 2022.11.29 pronounced: the original judgment ordering the appellant to pay more than NT$392,052 thousand was rejected. The high court ruling of the second remand (2025.12.31): The original judgment concerning the payments ordered against the Appellant (excluding the finalized portions) was dismissed for the amount exceeding NT$205,048 thousand. On January 30, 2026, the Joint Venture (JV) filed an appeal regarding the losing portion (with an appeal amount of NT$181,706 thousand), which is currently under review by the Supreme Court. At present, there are no significant adverse impacts on TECO Electric & Machinery Co., Ltd.	$197,262

6.13 Other Major Risks and Countermeasures

In order to strengthen information security management, ensure the confidentiality, integrity and availability of information, as well as the reliability of information equipment and network systems, the company has established information security policies as guidelines for information security risk management in company regulations. At the same time, under the information security risk management framework, build intrusion prevention systems / email anti-spam systems / endpoint anti-virus systems to gradually complete information security protection. Also, regularly conducts data off-site backup systems and disaster recovery mechanism exercises to ensure that services are not interrupted.

7. Other Significant Matters

None